

Weare Township
Oceana County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2008

Weare Township

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As management of Weare Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Weare Township for the fiscal year ended March 31, 2008. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- The General Fund fund balance increased by \$91,889.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the Township include general government, public safety, public works and cultural and recreational activities. The Township does not have any business-type activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories - governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Weare Township maintains one governmental fund, the General Fund.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide Statement of Net Assets for Weare Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. The current assets increased by \$88,992 due to an increase in net assets. Capital assets decreased \$1,358 due to normal depreciation. As of March 31, 2008, the Township's net assets from governmental activities totaled \$475,475.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities are \$463,789. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

Net Assets

	Governmental Activities	
	2008	2007
Current assets	\$ 468,928	\$ 379,936
Capital assets	11,686	13,044
Total assets	480,614	392,980
Current liabilities	5,139	8,036
Net assets		
Invested in capital assets	11,686	13,044
Unrestricted	463,789	371,900
Total net assets	\$ 475,475	\$ 384,944

Governmental Activities

Governmental activities increased by \$90,531 (24%) during the 2008 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Property tax revenues increased primarily due to normal inflationary increases in taxable value. Public works costs decreased due to less road construction done during the year.

Change in Net Assets

	Governmental Activities	
	2008	2007
Revenues:		
Program revenues		
Charges for services	\$ 3,261	\$ 5,623
General revenues		
Property taxes	121,744	108,657
Grants and contributions not restricted	88,931	88,469
Unrestricted investment earnings	13,595	6,415
Miscellaneous	7,882	542
Total revenues	235,413	209,706
Expenses:		
General government	82,369	94,284
Public safety	20,225	18,589
Public works	32,576	52,836
Community and economic development	7,098	7,110
Culture and recreation	2,614	-
Total expenses	144,882	172,819
Change in net assets	90,531	36,887
Net assets - Beginning	384,944	348,057
Net assets - Ending	\$ 475,475	\$ 384,944

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2008 fiscal year, the Township's governmental funds reported a combined unreserved fund balance of \$461,665, all of which is in the General Fund. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance of \$2,124 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate commitments and purchase orders. When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$463,789, which is all in the General Fund.

The General Fund had an increase in fund balance of \$91,889 due to higher than expected property tax revenue and investment earnings. In addition, assessor and road expenditures were less than anticipated.

General Fund Budget

During the current fiscal year, the Township made no amendments to its original budget.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

Revenues

- Property taxes were over budget due to higher than expected taxable values.
- Licenses and permits were over budget due to higher than expected zoning permits.
- State intergovernmental revenues were budgeted low in anticipation of State of Michigan budget cuts, but these cuts were not as large as expected.
- Investment earnings were higher than budgeted due to increases in interest rates.
- Other revenues were higher than budgeted due to a variety of items including land splits.

Expenditures

- Township Board, supervisor, assessor, clerk, treasurer, elections, and culture and recreation expenditures were all under budget due to fewer than anticipated costs during the year.
- Roads expenditures were lower than budgeted because road projects cost less than anticipated.

Capital Assets Administration

Weare Township's investment in capital assets for its governmental activities as of March 31, 2008 totaled \$11,686 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment.

**Capital Assets
(Net of Accumulated Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 1,685	\$ 1,685
Buildings and improvements	4,797	5,374
Equipment	5,204	5,985
Total	<u>\$ 11,686</u>	<u>\$ 13,044</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

General Economic Overview

The General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised approximately 89% of the General Fund's revenue sources. In fiscal year 2009, state revenue sharing is expected to remain flat. Property tax revenues will probably increase slightly due to an increase in taxable value and expected increased development within the Township. Expenditures are expected to remain consistent with 2008.

The Township is optimistic for future economic growth and development.

Requests for Information

This financial report is designed to provide a general overview of Weare Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Weare Township, 6295 N. 88th Avenue, Hart, Michigan, 49420, (231) 873-7771.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 22, 2008

Township Board
Weare Township
Hart, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Weare Township, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Weare Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Weare Township, Michigan, as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vi and 16 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Weare Township
STATEMENT OF NET ASSETS
 March 31, 2008

ASSETS

	Governmental activities
CURRENT ASSETS	
Cash and investments	\$ 431,606
Receivables	21,520
Due from other governmental units	13,678
Prepaid items	2,124
Total current assets	468,928
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	1,685
Depreciable	10,001
Total noncurrent assets	11,686
Total assets	480,614
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	5,139
NET ASSETS	
Invested in capital assets	11,686
Restricted for:	
Prepaid items	2,124
Streets and highways	39,734
Unrestricted	421,931
Total net assets	\$ 475,475

The accompanying notes are an integral part of this statement.

Weare Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2008

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets
<i>Functions/Programs</i>	<u>Expenses</u>	<u>Charges for services</u>	<u>Governmental activities</u>
Governmental activities			
General government	\$ 82,369	\$ 1,900	\$ (80,469)
Public safety	20,225	-	(20,225)
Public works	32,576	-	(32,576)
Community and economic development	7,098	1,361	(5,737)
Culture and recreation	2,614	-	(2,614)
Total governmental activities	<u>\$ 144,882</u>	<u>\$ 3,261</u>	(141,621)
General revenues			
Property taxes			121,744
Grants and contributions not restricted to specific programs			88,931
Unrestricted investment earnings			13,595
Miscellaneous			7,882
Total general revenues			<u>232,152</u>
Change in net assets			90,531
Net assets at April 1, 2007			<u>384,944</u>
Net assets at March 31, 2008			<u>\$ 475,475</u>

The accompanying notes are an integral part of this statement.

Weare Township
BALANCE SHEET
 Governmental Funds
 March 31, 2008

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 431,606
Property taxes receivable	21,520
Due from other governmental units	13,678
Prepaid items	<u>2,124</u>
Total assets	<u><u>\$ 468,928</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 5,139
 Fund balance	
Reserved for:	
Prepaid items	2,124
Streets and highways	39,734
Unreserved	<u>421,931</u>
Total fund balance	<u>463,789</u>
Total liabilities and fund balance	<u><u>\$ 468,928</u></u>

The accompanying notes are an integral part of this statement.

Weare Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2008

Total fund balance—governmental funds	\$ 463,789
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 23,114	
Accumulated depreciation	<u>(11,428)</u>	<u>11,686</u>
Net assets of governmental activities in the Statement of Net Assets		<u><u>\$ 475,475</u></u>

The accompanying notes are an integral part of this statement.

Weare Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Governmental Funds
 For the year ended March 31, 2008

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 121,744
Licenses and permits	3,261
Intergovernmental revenues - State	88,931
Investment earnings	13,595
Other	<u>7,880</u>
Total revenues	235,411
EXPENDITURES	
Current	
General government	78,273
Public safety	20,225
Public works	32,576
Community and economic development	6,624
Culture and recreation	2,614
Other governmental functions	<u>3,210</u>
Total expenditures	<u>143,522</u>
Net change in fund balance	91,889
Fund balance at April 1, 2007	<u>371,900</u>
Fund balance at March 31, 2008	\$ <u><u>463,789</u></u>

The accompanying notes are an integral part of this statement.

Weare Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2008

Net change in fund balance—total governmental funds	\$ 91,889
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets as expenditures;
in the Statement of Activities, these costs are depreciated over their
estimated useful lives.

Depreciation expense	<u>(1,358)</u>
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Change in net assets of governmental activities	<u><u>\$ 90,531</u></u>
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The accompanying notes are an integral part of this statement.

Weare Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
March 31, 2008

	<u>Agency funds</u>
ASSETS	
Cash and investments	\$ <u><u>9,180</u></u>
 LIABILITIES	
Due to other governmental units	\$ <u><u>9,180</u></u>

The accompanying notes are an integral part of this statement.

Weare Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Weare Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a municipal corporation governed by an elected five-member Board and is administered by a Township Supervisor. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Weare Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Weare Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the Township totaled approximately \$34,000,000. The ad valorem taxes levied consisted of 1.2296 and 1.9085 mills for the Township's general operations and for road improvements. These amounts are recognized in the General Fund.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-50
Equipment	5-15

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Weare Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to March 31, the Township clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to March 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board did not make any supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended March 31, 2008, actual expenditures exceeded appropriations for:

	Amended budget	Actual
General Fund		
Building and grounds	\$ 5,000	\$ 5,368
Cemetery	3,000	4,313
Other governmental functions	3,000	3,210

Weare Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$430,026 of the Township's bank balance of \$530,026 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,685	\$ -	\$ -	\$ 1,685
Capital assets, being depreciated:				
Buildings and improvements	14,524	-	-	14,524
Equipment	6,905	-	-	6,905
Total capital assets, being depreciated	21,429	-	-	21,429
Less accumulated depreciation:				
Buildings and improvements	9,150	577	-	9,727
Equipment	920	781	-	1,701
Total accumulated depreciation	10,070	1,358	-	11,428
Total capital assets being depreciated, net	11,359	(1,358)	-	10,001
Capital assets, net	\$ 13,044	\$ (1,358)	\$ -	\$ 11,686

Depreciation expense was charged to the general government function.

Weare Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE E—OTHER INFORMATION

Risk Management

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for property, liability, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

NOTE F—PENSION PLANS

Defined Contribution Plan

The Township maintains a defined contribution retirement plan administered by John Hancock that covers two of its employees. The Township matches the contributions of its employees. The Township's contribution for the year ended March 31, 2008 was \$1,986.

NOTE G—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 38 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Weare Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2008

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 105,100	\$ 105,100	\$ 121,744	\$ 16,644
Licenses and permits	2,000	2,000	3,261	1,261
Intergovernmental revenues - State	90,500	90,500	88,931	(1,569)
Investment earnings	3,000	3,000	13,595	10,595
Other	2,000	2,000	7,880	5,880
Total revenues	202,600	202,600	235,411	32,811
EXPENDITURES				
Current				
General government				
Township Board	15,000	15,000	10,348	4,652
Supervisor	16,000	16,000	13,212	2,788
Assessor	20,000	20,000	10,941	9,059
Clerk	17,000	17,000	12,101	4,899
Board of review	2,500	2,500	1,305	1,195
Treasurer	22,000	22,000	18,559	3,441
Elections	4,000	4,000	2,126	1,874
Buildings and grounds	5,000	5,000	5,368	(368)
Cemetery	3,000	3,000	4,313	(1,313)
Public safety				
Fire	21,000	21,000	20,225	775
Public works				
Roads	56,100	56,100	32,576	23,524
Community and economic development				
Zoning	11,000	11,000	6,624	4,376
Culture and recreation	7,000	7,000	2,614	4,386
Other governmental functions	3,000	3,000	3,210	(210)
Total expenditures	202,600	202,600	143,522	59,078
Net change in fund balance	\$ -	\$ -	91,889	\$ 91,889
Fund balance at April 1, 2007			371,900	
Fund balance at March 31, 2008			\$ 463,789	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

September 22, 2008

Township Board
Weare Township
Hart, Michigan

In planning and performing our audit of the governmental activities, each major fund and the aggregate remaining fund information of the Weare Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Weare Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Weare Township internal control. Accordingly, we do not express an opinion on the effectiveness of the Weare Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the attached deficiencies to be significant deficiencies in internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the attached deficiencies, identified as material weaknesses, constitute material weaknesses.

This communication is intended solely for the information and use of the Township Board, management, others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.



MATERIAL WEAKNESS

Recommendation 1: Bank reconciliations and reconciliation of cash and the general ledger should be prepared timely.

During our year end testing, we noted that the general checking accounts were not reconciled to the bank statements, and cash was not reconciled to the general ledger. Preparation of the reconciliations should be documented.

Preparation of timely bank reconciliations is critical to good internal control. Documentation by preparer and reviewer would strengthen the reconciliation process and reduce the potential for misstatement or fraud.

SIGNIFICANT DEFICIENCIES

Recommendation 2: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

Recommendation 3: Receivable and payable balances should be adjusted and/or recorded on the Township's system at year end.

During our detailed testing of account balances, we noted that both accounts receivable and accounts payable were not adjusted to be in agreement with detailed balances as of year end.

The performance of reconciliation at year end would increase the opportunity for accounts receivable and accounts payable activity to be properly recorded in the general ledger.

Recommendation 4: The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Township should continue using its current accounting system, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions and reconciliations by the Board and Management.

SIGNIFICANT DEFICIENCIES—CONTINUED

Recommendation 5: The Current Tax Collection Fund should distribute all monies owed other governmental units on a timely basis.

During our audit, we noted that the Current Tax Fund had a significant bank balance outstanding at year end. The General Property Tax Act of the State of Michigan requires that the Township distribute property tax collections to other governmental units for which it collects within 10 business days of the first and fifteenth day of each month. In addition, the Township is required to make all distributions by April 1 of each year.

The timely distribution of funds collected by the Current Tax Collection Fund would ensure compliance with the General Property Tax Act of the State of Michigan.